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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1986 — Commission File Number 33-9639

California Federal Savings and Loan Association

(Exact name of registrant as specified in its charter)

Delaware	95-1252817
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5670 Wilshire Boulevard, Los Angeles, California 90036
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (213) 932-4200

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __ No X

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of March 20, 1987: $0

The number of shares of Common Stock outstanding as of March 20, 1987: 100

DOCUMENTS INCORPORATED BY REFERENCE:

None

TOTAL OF SE[illegible] [illegible]Y NUMBERED PAGES 104
Exhibit Index on [illegible] [illegible]ally Numbered Page 63

loan associations and money market mutual funds. Competition for customer deposits from large commercial banks is particularly strong. Most of the nation's largest savings and loan associations and many large commercial banks are headquartered or have a significant number of branch offices in the areas in which California Federal operates. During periods of high interest rates, additional competition for customer deposits comes from corporate and government securities.

In addition to offering competitive interest rates, the principal methods used to attract customer deposits include the variety of services offered, the quality of service rendered, the convenience of office locations and the hours of service open to the public. In addition to its programs in the areas in which its offices are located, California Federal competes nationwide for deposits through some of the nation's largest investment banking firms.

California Federal competes nationwide in its lending through its loan offices in several states. Competition in making real estate, consumer and commercial loans comes principally from other savings and loan associations, commercial banks, mortgage banking companies, insurance companies, consumer finance companies and commercial finance companies. The primary factors in competing for loans are interest rates, rate adjustment provisions, loan maturities, loan fees and the quality of service to borrowers and loan brokers.

Acquisitions

In view of the changing economic and regulatory environment confronting the savings and loan industry, in 1981 California Federal began an effort to expand and diversify its operations, in part through an active acquisition program. Each of the acquisitions subsequent to 1981 was recorded as a purchase. Accordingly, under generally accepted accounting principles, the assets acquired and liabilities assumed in each acquisition were recorded at their fair market values as of the date of acquisition.

The following table sets forth the pro forma effect on future earnings of the accretion and amortization of the valuation adjustments recorded in connection with all of California Federal's savings and loan acquisitions:

	Amortization of Goodwill	Accretion of Loan Discount	Other	Net
	(In Millions)			
1987	$ (21.0)	$ 31.4	$ (1.9)	$ 8.5
1988	(21.0)	29.6	(1.9)	6.7
1989	(21.0)	28.5	(1.8)	5.7
1990-2000	(229.4)	176.6	(9.3)	(62.1)
2001-2022	(295.6)	1.3	(1.8)	(296.1)
	$(588.0)	$267.4	$(16.7)	$(337.3)

California Federal reviews, on a periodic basis, its loan prepayments and other assumptions used to calculate accretion of loan discount. This review takes into account actual loan prepayment experience and management's estimate of future economic conditions. See Management's Discussion and Analysis of Results of Operations and Financial Condition on page 18 for a further discussion of accretion of loan discount.

Subsidiaries

At December 31, 1986, California Federal was permitted by FHLBB regulations to invest up to $1.1 billion of its assets in subsidiary (service) corporations. As of that date, California Federal had invested $635.8 million (primarily equity and advances) in subsidiaries, all of which are wholly-owned. The principal business activities of California Federal conducted through such subsidiaries include the following: